Assigned to Judicia Datrice C. Mathias

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27 28 employee of the law firm G&A, with her principal place of business in the County of Fresno, California, and was doing business in the State of California.

- The true names and capacities, whether individual, corporate, associate, or otherwise, of defendants sued herein as Does 1 through 100, inclusive, are unknown to plaintiff who therefore sue said defendants by such fictitious names. Plaintiff prays leave to amend this Complaint to assert the true names and capacities of said defendants when ascertained. Plaintiff is informed and believes and thereupon alleges that each of the fictitiously named defendants are negligently responsible in some manner for the occurrences herein alleged, and that plaintiff's losses as herein alleged were legally caused by such negligence.
- Plaintiff is informed and believes and thereon alleges that, at all times 5. mentioned herein, each of the defendants were the successors in interest to each of the remaining defendants, and on that basis is liable for any act or omission of said defendants herein alleged.

G&A agrees to provide legal services to City

- A contractual relationship existed between City and G&A as shown by 6. the written contract attached to this complaint as Exhibit A [the "Agreement"] signed by an authorized representative of both, with the contract starting on or about June 6, 2017. The contract remained in effect until City terminated G&A on or about June 19, 2017. The conduct of G&A was governed by the California Rules of Professional Conduct that were in place between September 14, 1992 and October 31, 2018.
- 7. The Agreement required G&A to provide regular and prompt reports to the City on all activities and of the tasks performed on City's behalf by G&A employees.
- The Agreement provided for payment of a "fixed fee retainer" of 8. \$30,000 per month by City to G&A. (Please see, e.g., Exh. A, sections 3.A & 4.) G&A was to provide City with legal services as general counsel, for labor and

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27 28 employment, and for litigation, such as was within the scope of expertise of all its attorneys. Special matters that fell outside G&A's expertise was to be authorized, arranged, and paid for by City.

- 9. City paid the fixed fee retainer, monthly, in full through the date City terminated the Agreement. On information and belief, that money was not placed into an account held for the benefit of clients but into the firm's own account.
- 10. During the following months, until in or about May, 2018, City did not receive reports showing hours worked on projects by any G&A employee.
- 11. On information and belief, the money collected by G&A was not deposited in a trust account for City or otherwise maintained by G&A for the benefit of clients. Rather, the entire amount of fees delivered to G&A from City was kept by G&A for its own use.

G&A and Heather N. Phillips fail to provide legal services

- 12. The Agreement called for attorney Heather N. Phillips to be the primary provider of legal services to City. The Agreement also authorized City to name Phillips as City Attorney; City did so, and Ms. Phillips accepted the post.
- 13. So-called senior attorneys' time was valued at \$190.00 per hour and so-called junior attorneys at \$170 per hour. Paralegals and law clerks would bill at \$125.00 per hour.
- 14. G&A maintained the contractual right to assign work to its attorneys and staff as it saw fit, but Ms. Phillips, in her role as City Attorney, neither performed these tasks nor assigned any other G&A employee to do so.
- 15. The City of Tulare terminated Ms. Phillips as City Attorney when it terminated the agreement with G&A.
- 16. Neither Ms. Phillips nor G&A provided a report showing the tasks performed and the time spent to justify G&A's deposit of City funds in its firm accounts, nor did G&A return unearned fees to City. Detailed billing invoices for the invoice dates of June 7, 2017, July 20, 2017, August 1, 2017, September 1, 2017 and October

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1, 2017 have never been received.

Ms. Phillips and G&A failed to competently provide legal service

- 17. During the term of the agreement, City received a Public Records Act request from Ben Brubaker. Mr. Brubaker sought records that were subject to disclosure under the California Public Records Act. The documents concerned a contract to hire an investigator who was investigating a City employee. That City employee had been put on administrative leave based on Ms. Phillips' advice.
- 18. Uncharacteristically, Ms. Phillips promptly responded to a request for guidance on whether to disclose the contract. Ms. Phillips advised City that the public contract for expenditures of public funds for work done on behalf of the public should not be disclosed.
- 19. During the term of the Agreement, litigation was filed by Mr. Brubaker against the City. Later, after public outcry, Ms. Phillips relented and advised City to disclose the contract. The litigation continued over the issue of attorneys' fees. City's lack of a reasonable basis for withholding the contract resulted in City settling Brubaker v. City, Tulare County Superior Court case no. 272595, requiring payment of \$32,500 in attorney's fees.
- 20. City withheld the documents because it relied on the advice of Ms. Phillips.
- 21. During the term of the Agreement, the owner of a business in the City of Tulare known as the Fairfield Inn owed taxes. These taxes were subject to a lien by City that, were it filed, would have allowed City to collect the taxes by operation of the escrow if the Fairfield Inn property were sold. Ms. Phillips was told by the City Council to take out a lien against the Fairfield Inn, , but Ms. Phillips failed to do so, or even try to secure a lien. The Fairfield inn property was sold for a price that would have provided for recovery, in whole or in part, of City's tax bill, but the taxes were not recovered from the sale because Ms. Phillips failed to take action.
 - 22. During the term of the Agreement, the Police Chief Wesley Hensley

was placed on paid administrative leave for nearly six months and forced to undergo an investigation. At the end of that process, in reliance on the advice of G&A, Ms. Phillips, and Does 1 through 50, the City terminated former Chief Hensley but not for cause based on anything uncovered or corroborated by the investigation, but at will. In or about May, 2018, the former chief sued the City for this action, Tulare County Superior Court case no. 273730, causing City to incur attorney's fees, costs, and, should former Chief Hensley prevail, possible damages.

FIRST CAUSE OF ACTION

Professional Negligence against all Defendants

- 23. Plaintiff incorporates by reference paragraphs 1 through 22 above as though fully set forth herein.
- 24. Prior to the expiration of the Statute of Limitations, a written contract for professional services existed in which G&A, Ms. Phillips, and Does 1 through 50, and each of them, agreed to represent City as City's attorneys at law with respect to matters pertaining to a general counsel, labor and employer matters, and litigation.
- 25. The Defendants breached a duty by the commission of error or omission when:
 - a. They failed to return unearned fees or otherwise report to City the information necessary for City to know what services were performed to earn the fees that were kept and used for the Defendant's own purposes.
 - b. City was forced to pay a settlement of \$32,500 to the attorneys for Mr. Brubaker due to their advice.
 - c. They failed to take action to recover taxes by operation of a lien against the Fairfield Inn property.
 - d. They advised placing the Police Chief on paid administrative leave and, when a multi-month investigation failed to give rise to cause for

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termination, advised firing the Chief, which City did based on the advice of G&A, Ms. Phillips, and Does 1 through 50.

- The Defendants, in doing the acts alleged above, failed to exercise due 26. care to protect City's interests in all ethical ways and in all circumstances.
- As a direct and legal result of the carelessness and negligence of defendants, and each of them, as herein alleged, plaintiff has been deprived of the full value of their paid retainer [or return of unearned portions of it], and have suffered the expenditure of attorneys' fees and potential liabilities, and lost should have been tax revenues that would have been recoverable by operation of a property transfer, all to City's general and special damages in an amount according to proof at time of trial.
- Plaintiff is informed and believes and thereupon alleges that its 28. claims, defenses, and remedies under the civil law were at all times meritorious and proper; that had Defendants exercised proper care and skill in the foregoing matter, plaintiff would have received full value or reimbursement from their retainer and claims/defenses, in excess of the minimum jurisdiction of this court: and that at all times herein mentioned, any money that was to be recovered by City would have been available regardless of the solvency of the person from whom it was to be recovered.
- City is governed by a board of laypeople, citizen legislators, unfamiliar 29. with the law who were permissibly ignorant of the fact of damage or actual harm giving rise to a cause of action for negligence until the on or after the termination of the Agreement.
- G&A's, Ms. Phillips', and Does 1 through 50's negligence was the 30. direct and legal cause of the damages alleged here, suffered as alleged in this complaint and further in an to be proven at trial.

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ERR PEDERSEN & BERGLUND LLP Attorneys at Law 100 Willow Plaza

1	SECOND CAUSE OF ACTION
2	For an Accounting against G&A, Ms. Phillips, and Does 1 through 50
3	31. Plaintiff incorporates by reference paragraphs 1 through 30 above as
4	though fully set forth herein.
5	32. A liability exists from G&A, Ms. Phillips, and Does 1 through 50 in
6	that unearned legal fees have been paid to G&A by City but not returned to City.
7	The true amount owed will be shown by an accounting of the time to be charged
8	against the fixed fee retainer during the term of the agreement.
9	THIRD CAUSE OF ACTION
10	Unjust Enrichment against all Defendants
11	33. Plaintiff incorporates by reference paragraphs 1 through 32 above as
12	though fully set forth herein.
13	34. In doing the things alleged, Defendants and each of them received a
14	material benefit in the form of moneys collected from City and retained for their
15	own use.
16	35. The Defendants' collection of the money and retained for their own
17	use was at the expense of City.
18	36. Defendants were to provide advice, but failed to do so for many
19	months by not responding timely to the client and staff and attempting to justify
20	the billings with minimal and/or duplicate billing entries.
21	FOURTH CAUSE OF ACTION
22	Declaratory Relief against all Defendants
23	37. Plaintiff incorporates by reference paragraphs 1 through 36 above as
24	though fully set forth herein.
25	38. An actual controversy exists involving justiciable questions relating to
26	the rights or obligations of these parties under a written instrument and/or

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contract.

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That controversy involves whether there are unearned fees retained

1	by Defendants that should be returned to City; and whether the errors or
2	omissions of Defendants have caused, in whole or in part, damages to City.
3	40. This prayer for declaratory relief is sought with all other causes of
4	action and counts in this Complaint.
5	PRAYER
6	WHEREFORE, plaintiff prays judgment against defendants, and each of
7	them, as follows:
8	1. For general damages according to proof;
9	2. For special damages according to proof;
10	3. For costs of suit herein;
11	4. For interest to the extent allowable by law; and
12	5. For an order declaring the rights and obligations of the parties
13	including an order that unearned fees be returned; and
14	6. For such further relief as the Court may deem proper.
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16	Dated: December 11, 2018 HERR PEDERSEN & BERGLUND LLP
17	And ak
18	LEONARD C. HERR
19	Attorney for Plaintiff, CITY OF TULARE
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Exhibit A

TULARE CITY ATTORNEY SERVICES AGREEMENT

This Agreement is effective this 6th day of June 2017, by and between the City of Tulare (hereinafter called "City"), and Goyette & Associates, Inc. (hereinafter called "Attorneys" or "G&A") as City Attorney (hereinafter called "Attorney").

RECITALS

- 1. City desires to engage G&A as City Attorney of the City of Tulare, pursuant to the requirements and the authority set forth in the Tulare City Charter Sections 17 and 19 and any applicable state law.
- 2. City has determined that G&A is qualified by training and experience to render such services and G&A has agreed to provide such City Attorney services.
- 3. The City and G&A desire to set forth in this Agreement the terms, conditions, and benefits of such engagement.
 - 4. G&A desires to accept engagement as City Attorney as set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties agree as follows:

SECTION 1. DUTIES

City hereby retains G&A as City Attorney to perform such functions and duties and to provide legal advice and perform legal services for the City consistent with the role of a City Attorney and as specified in the California Government Code and in the Tulare Municipal Code and as the City Council shall from time to time assign as follows, but not limited thereto:

- a. General Legal Counsel. G&A will provide general legal advice and counsel to the City on matters pertaining to the City's status as a public entity, its obligations arising from the Tulare Municipal Code, state and federal statutes, and contractual relationships with employee organizations, contractors, vendors and other parties. G&A will attend all City Council meetings, as well as other meetings, including Planning Commission and Board of Public Utilities meetings, and regular or special staff meetings, as needed and necessary. Provide general advisory legal services and transactional review of any and all matters subjecting the City to potential liability.
- b. Labor and Collective Bargaining. Coordination of and participation, as requested by City, in collective bargaining processes between City and its recognized employee organizations, including negotiating memoranda of understanding and side letter agreements or impact bargaining, and including the

preparation of salary surveys as needed or requested. G&A shall regularly meet with and provide assistance and advice to Human Resources Department on grievances, meet and confer matters and any other matters arising from the employer-employee relationship. Represent the City, as requested by City, in employee disciplinary matters, through evidentiary hearings and appeals to the City Council.

- c. Litigation. Any form of litigation in state or federal court, as well as representation of the City before any administrative body, including the California Public Employment Relations Board.
- d. In providing the services required under this Section, G&A shall provide (monthly/quarterly) status reports on all pending items, addressed to the City Council and the City Manager.

SECTION 2. CONDITIONS OF REPRESENTATION

- a. Heather N. Phillips, attorney and partner in G&A's Labor and Employment Division, shall be the primary attorney working with the City and may be designated by the City as the City Attorney. Should Heather N. Phillips cease employment with G&A, this Agreement shall be voidable by the City without any penalty, except for any fees and costs already incurred as of the date notice of Heather N. Phillips' employment status with G&A is given to the City.
- b. All services provided by G&A shall be subject to the approval of Tulare's City Council or its designee(s). G&A shall regularly and promptly provide a written report to the City Council or its designee(s) all activities and services being provided to City, specific Departments and/or individual City employees. All reports, information, data or other materials prepared or assembled by G&A under this Agreement, including G&A's opinions and conclusions, are confidential attorney-client communications. G&A agreed that such communications shall not be made available to or discussed with any individual or organization, including the news media, without the prior written approval of the City.
- c. G&A shall provide services within the scope of expertise of all of its attorneys. Should the City require specialized legal services that G&A cannot provide, the City shall be responsible for authorizing, arranging, and paying for representation in that matter.
- d. In the event of a conflict of interest arising such that G&A cannot provide representation to the City in a particular matter, the City shall be responsible for authorizing, arranging, and paying for representation in that matter. While such a conflict of interest is unlikely to occur, G&A will endeavor to take all possible steps to avoid any potential conflicts.

- e. G&A reserves complete discretion over deciding which individuals within G&A will perform the professional services under this Agreement for the City; work may be assigned individually or in combination to lawyers, labor representatives, or other staff members, as G&A deem appropriate and necessary to this professional undertaking.
- f. G&A is bound to exercise its professional judgment over the manner in which services are provided in accordance with the Rules of Professional Conduct and other applicable statutes or rules governing attorneys in California.

SECTION 3. COMPENSATION

A. Fixed Monthly Fee

City shall pay to G&A a fixed monthly fee of **Thirty Thousand dollars** (\$30,000.00), payable on a monthly basis, for all services listed in Section 1 (General, Labor and Litigation) of this Agreement. Despite the Hourly Fee Services Section detailed below, it is the intent of the parties for G&A to provide as much of the overall legal services needed by the City under the terms of the Fixed Monthly Fee Section of this Agreement.

B. Hourly Fee Services to be Rendered by Attorneys of G&A

In addition to the items described in Subsection 3.A above, G&A Attorneys will render additional legal services on behalf of the City, if requested and authorized to do so by the City, and if agreed to by G&A, at a rate of \$190.00 per hour for senior attorneys, \$170.00 for junior attorneys, and \$125.00 for paralegals and law clerks, and subject to the conditions herein. Any hourly fees incurred will be due only if approved by the City in advance.

C. Payment of Expenses

- 1. G&A agrees to pay and absorb the following ordinary expenses of representation:
 - a. First class postage (routine mailings)
 - b. General office supplies
 - c. Telephone expenses
 - d. Photocopies
 - e. Travel
 - f. Lodging
 - g. Legal research fees
 - h. Attorney Continuing Education
 - i. Mileage
- 2. City agrees to advance and pay for, or reimburse G&A for, the following extraordinary expenses of representation. Whenever

practicable, G&A will seek approval from a City officer before incurring extraordinary expenses.

- a. First class postage (mass mailings)
- b. FedEx, UPS, or other courier charges
- c. Professional Printing or Binding
- d. Process service
- e. Reporters and transcripts
- f. Arbitrators, mediators or other fact-finding panel members or neutrals
- g. Expert Witnesses
- h. Filing fees
- i. Witness fees

D. Confidentiality and Absence of Conflicts

An attorney-client relationship requires mutual trust between the client and the attorney. It is understood that communications exclusively between counsel and the client are confidential and protected by the attorney-client privilege.

To also assure mutuality of trust, Attorney maintains a conflict of interest index. The California Rules of Professional Conduct defines whether a past or present relationship with any party prevents Attorney from representing City. Similarly, City will be included in Attorney's list of clients to ensure it complies with the Rules of Professional Conduct.

Attorney warrants that no conflict exists with the firm's current representation of other public entities and private clients. Based on that check, Attorney has determined that it can provide legal services as City Attorney for the City of Tulare.

E. <u>File Retention & Destruction</u>. G&A shall safely maintain and store all files, records and other materials acquired in the course of its representation of the city. No files will be destroyed without the prior written consent of the City.

SECTION 4. PAYMENT OF INVOICES

G&A will invoice the City for the fixed fee retainer described under Section 1 on a monthly basis. G&A will invoice the City for the hourly services described under Section 3 on a monthly basis. The City will pay all invoices within 30 days. In the event the City disagrees with any portion of any invoice, the City shall notify G&A of the disagreement promptly.

SECTION 5. TERM, TERMINATION AND SEVERANCE

A. Unless otherwise terminated, as provided herein, this Agreement shall commence on June 6, 2017 and shall extend for a period of one (1) year through June 6,

- 2018. City shall have the option of extending this Agreement for two (2) additional terms of one year each, on the same terms and conditions provided herein, by providing sixty (60) days notice in writing of City's intent to exercise this option to extend.
- B. In the event City terminates this Agreement and discharges G&A from its engagement hereunder, for no reason or for any reason, City shall pay to Attorney the sum due for services reasonably provided up through the date of termination.
- C. City may discharge G&A at any time subject to a ten (10) day written notice and the provisions of Section 2.A above. City may discharge G&A at any time effective immediately if the City has a reasonable belief that G&A has committed professional negligence or has caused the City any potential liability due to derelict of its duties. If at the time of withdrawal or discharge, Attorney is representing City in any proceeding, then City will sign a Substitution of Attorney form immediately upon receipt of such a form from Attorney.
- D. Notwithstanding the above, Attorney may withdraw from representation at any time as permitted under the Rules of Professional Conduct of the State Bar of California with thirty (30) day written notice to City.
- E. Upon termination, G&A shall promptly deliver to the City all reports, records and files of the City.

SECTION 6. OTHER TERMS AND CONDITIONS OF AGREEMENT

- A. The City Council, with mutual consent of the City Attorney, may amend or add any such other terms and conditions of engagement in writing and executed by both parties as they may determine from time to time, relating to the performance of Attorney.
- B. Notwithstanding the withdrawal or discharge of Attorney, City will remain obligated to pay at the agreed rate for all services already provided and to reimburse Attorney for all costs advanced before the withdrawal or discharge related to work performed under Section 3 above.
- C. City and G&A agree that in the event of a dispute between the parties concerning this Agreement, the City may elect non-binding arbitration in accordance with Article 13 of the Business and Professional Code, section 6200 et seq. In the event litigation arising out of or relating to professional services is initiated by either party, it is agreed that the responding party shall have the option to refer the entire dispute to binding arbitration. The responding party may elect binding arbitration by filing a petition to compel arbitration at any time within thirty (30) days of the filing of the responding party's answer. The prevailing party in arbitration or other legal proceeding will be entitled to recovery of reasonable attorney's fees and costs from the other party.

D. City and G&A also agree that the City Manager is the responsible person for providing daily contact and direction to G&A on behalf of City. G&A agrees to coordinate the services to be provided with City to the extent required by the City Council and the City Manager. Additionally, City and G&A agree that notwithstanding any provisions as stated above, at G&A's discretion, in concurrence with the City Council, is authorized to retain Special Counsel on behalf of the City in instances of conflict of interest or specialized litigation or other work.

SECTION 7. PERFORMANCE EVALUATION

- A. The City Council shall review and evaluate the performance of G&A at least once annually commencing one year from the effective date of this Agreement. Said review and evaluation shall be in accordance with specific criteria developed jointly by City and Attorney. Said criteria may be added to or deleted from as the Council may from time to time determine, in consultation with Attorney. Further, City shall provide Attorney with a summary written statement of the findings of the Council and provide an adequate opportunity, before the evaluation is final, for Attorney to discuss its evaluation with the Council.
- B. Annually, commencing on the effective date of this Agreement, the Council and Attorney shall define such goals and performance objectives that they jointly determine necessary for the effective continued relationship between City and Attorney. Said goals and objectives shall be reduced to writing.

SECTION 8. NOTICES

Notices pursuant to this Agreement shall be given by deposit in the United States Postal Service, postage prepaid, as follows:

CITY:

City of Tulare

411 East Kern Avenue Tulare, California 93274

ATTORNEY:

Govette & Associates, Inc.

1366 Gold Meadow Way, Suite 200 Gold River, California 95670

Alternatively, notices required pursuant to this Agreement may be personally served in the same manner as applicable to civil judicial process. Notice shall be deemed given as of the date of personal service or as of the date of deposit of such written notice in the United States Postal Service.

SECTION 9. INSURANCE

A. G&A carries errors and omissions insurance that provides not less than \$1,000,000.00 in coverage per claim, and aggregate coverage of not less than \$2,000,000.00.

G&A and/or its attorneys shall carry Auto Liability in the amount of \$1,000,000.000 combined single limit (CSL) per accident.

G&A carries workers' compensation and employer's liability insurance in accordance with the California Labor Code and employer's liability limits of \$1,000,000.00 per accident. The insurer shall agree to waive all rights of subrogation against the City, its officials, employees, and agents for losses arising from work performance by the G&A for the City.

B. Thirty (30) days prior written notice of cancellation shall be given to the City in the event of expiration, cancellation or reduction in coverage of any nature.

SECTION 10. GENERAL PROVISIONS

- A. The text herein shall constitute the entire agreement between the parties. There are no oral agreements or understandings or any other written agreements which directly or indirectly affect the terms and conditions of this Agreement.
- B. If any provision, or any portion thereof, contained in this Agreement is held unconstitutional, invalid, or unenforceable, the remainder of this Agreement, or portion thereof, shall be deemed severable, shall not be affected, and shall remain in full force and effect.
- C. No addition, modification, amendment, or deletion to this Agreement shall be valid unless it is in writing and executed by the parties to this Agreement. This Agreement shall be binding upon and inure to the benefit of the heirs at law and executors of Attorney. This Agreement calls for the personal consulting services of G&A and cannot be delegated or assigned to any other party without the expressed and written consent of the City. Any assignment or delegation without the express written consent of the City shall be void.
- D. City and G&A agree that the construction and interpretation of this Agreement and the rights and duties of City and Attorney hereunder shall be governed by the laws of the State of California.
- E. G&A shall act as an independent contractor in providing the services described in this Agreement. G&A shall be solely responsible for the supervision, payment and protection of its agents, employees, experts or consultants, if any, and furnish the services in G&A's own manner and method. In no respect shall G&A, its agents, employees, experts or consultants, if any, be considered employees of City.
- F. G&A agrees to scrupulously avoid performing services for any party or entering into any contractual or other relationship with any party which might create a conflict with the rendering of services under this Agreement. G&A shall immediately inform City of any conflict of interest or potential conflict of interest which may arise during the term of this

Agreement by virtue of any past, present, or prospective act or omission of G&A.

- G. G&A agrees to comply with all federal, state and local laws, rules, and regulations, now or hereafter in force, pertaining to the services performed pursuant to this Agreement.
 - H. Venue for any proceeding under this Agreement shall be in the County of Tulare.
- I. G&A agrees to comply with all applicable fair employment and equal opportunity practices and not to discriminate against any applicants or employees of Attorney because of their membership in a protected class.
- J. No Personal Liability. No member, official or employee of the city shall be personally liable to G&A or any successor in interest in the event of any default or breach by the city or for any amount which may become due to G&A or on any obligation under the terms of this Agreement.

IN WITNESS WHEREOF, the City of Tulare has caused this Agreement to be signed and executed on its behalf by its Mayor and duly attested by its City Clerk, and Attorney has signed and executed this Agreement the day and year first above written.

Dated: 6-6-17

Executed by City Manager on behalf

of City Council

Dated: 6-6-17

Paul Q. Goyette, Esq.

Goyette & Associates, Inc.